COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
ENERGY FACILITIES SITING BOARD

Joint Investigation by the Department of Telecommunications and Energy and the Energy Facilities Siting Board, commencing a Notice of Inquiry and Rulemaking, pursuant to G.L. c. 164, §§ 69H, 69I, 76C and 220 C.M.R. §§ 2.00 et seq., into (1) rescinding 220 C.M.R. §§ 10.00 et seq., and (2) exempting electric companies from any or all of the provisions of G.L. c. 164, § 69I.	D.T.E. 98-84/EFSB 98-5

JOINT COMMENTS OF CAMBRIDGE ELECTRIC LIGHT COMPANY AND COMMONWEALTH ELECTRIC COMPANY

I. INTRODUCTION

Cambridge Electric Light Company ("Cambridge") and Commonwealth Electric Company ("Commonwealth") (together, the "Companies") hereby submit joint comments in response to the request for comments by the Department of Telecommunications and Energy (the "Department") and the Energy Facilities Siting Board (the "EFSB"), issued on August 10, 1998 and August 13, 1998, respectively, concerning a joint Department/EFSB investigation into: (1) rescinding the regulations governing Integrated Resource Planning ("IRP"), 220 C.M.R. §§ 10.00 et seq.; and (2) exempting electric companies from any or all of the provisions of G.L. c. 164, § 69I (the "Department NOI" and the "EFSB NOI"; together, the "NOIs"). In light of the significant transition that has taken place from traditional electric company regulation to a competitive generation market, brought about as a result of the recently enacted electric industry restructuring legislation, Chapter 164 of the Acts of 1997 (the "Restructuring Act"), the Companies endorse the joint proposal of the

Department and EFSB to eliminate unnecessary regulatory processes that are incompatible with reliance on competitive market forces in a restructured industry. Further, the Companies support the joint proposal of the Department and the EFSB to exempt electric companies from their obligation to file biennial long-range forecasts pursuant to G.L. c. 164, § 69I. The Companies believe that an alternative process to such long-range forecasts is in the public interest and the alternative processes described in the NOIs are reasonable and appropriate. The Companies appreciate the opportunity to provide comments to the Department and the EFSB concerning the general and more specific questions identified in the NOIs, as described further below.

II. BACKGROUND

The NOIs, initiated separately by the Department and the EFSB, raise issues pertinent to load forecasting and supply planning by electric companies in light of the Restructuring Act. As noted in the NOIs, the Restructuring Act introduces retail competition to the generation sector of the electric industry and consequently relieves electric companies of their historical obligation to plan for and serve the generation needs of all customers on a monopoly basis. Department NOI at 1; EFSB NOI at 1. Although each electric company under the Department's jurisdiction is currently required to file a ten-year forecast of electric power needs and requirements for its market area every two years, the Restructuring Act authorizes the Department to exempt any electric company from any or all provisions of

G.L. c. 164, § 69I upon a determination by the Department and the EFSB "that an alternative process is in the public interest." G.L. c. 164, § 69I, as amended.

In light of the Restructuring Act's introduction of retail competition to the generation sector of the electric industry, the Department's NOI observes that electric companies are no longer responsible for forecasting, planning, soliciting and procuring long-term electricity supplies for their customers (except for standard offer and default service). Department NOI at 1-2, citing G.L. c. 164, §§ 1A through 1H. According to the NOIs, "[t]his change in electric company responsibilities raises questions as to whether demand and supply planning reviews, such as those prescribed by G.L. c. 164, § 69I and the IRP Rules remain necessary." Id. at 2. As a result, the Department has requested comments concerning whether it should: (1) rescind 220 C.M.R. §§ 10.00 et seq.; and (2) exempt electric companies from any or all of the requirements of G.L. c. 164, § 69I.

The Department states that it considers eliminating IRP as the "best way to harness competitive forces productively rather than thwarting or duplicating them," given the protections provided by the Restructuring Act and the Department's regulations to ensure competition and environmental benefits. Department NOI at 2-3. For the same reasons, the Department seeks to exempt electric companies from their obligation to file biennial long-range forecasts pursuant to G.L. c. 164, § 69I. Id. at 3.[1]

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[1] As noted by the Department, if the IRP Rules are rescinded, but the § 69I obligations remain in place, electric companies would still be required to file a long-range forecast and supply plan every two years for review by the Department. In addition, any electric utility filing a transmission facility proposal with the EFSB, pursuant to G.L. c. 164, § 69J, would be required to demonstrate that the proposal is consistent with an approved long-range forecast. Department NOI

To exempt electric companies from their obligation to file biennial long-range forecasts, the Department and the EFSB are seeking joint comments to assist in the development of an alternative process that would encompass the following features of § 69I:

- Promotion of cost-effective demand-side management ("DSM");
- Assessment of distribution-related reliability issues;
- Advance notification of developing transmission constraints; and
- Provide sufficient information to allow the Department to develop an annual analysis of the reliability and diversity of electric power for the General Court, as required by G.L. c. 164, § 69I.[2]

Department NOI at 3. According to the Department's NOI, these issues can be addressed outside of the long-range forecast framework established in § 69I because:

- the Restructuring Act has already established an alternative process for promoting cost-effective DSM by dedicating a certain percentage of distribution system rates to fund DSM programs and requiring the Department to determine the cost-effectiveness of proposed programs
- the Department will consider distribution system reliability in the context of a generic inquiry into distribution service quality in individual performance-based distribution rate cases
- the Department expects to draw on information available from ISO/New England ("ISO-NE") to develop its analysis of the reliability and diversity of electric power
- the Department proposes that each electric utility be required to file with the Department and the EFSB an annual report similar to that required by

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at 3.

2 The Department notes that the alternative process also should provide sufficient information to allow the EFSB to evaluate the need for transmission facilities proposed pursuant to G.L. c. 164, § 69J, when the need for such facilities is based on projected load growth. Department NOI at 3-4, ftnt. 4.

> Section 1 of EFSB Administrative Bulletin 78-2, but focused exclusively on emerging transmission constraints[3]

Department NOI at 4.

In addition to the general comments sought by the Department concerning its proposal to rescind 220 C.M.R. §§ 10.00 et seq. and to exempt electric companies from the provisions of G.L. c. 164, § 69I, the Department and the EFSB seek comments on specific questions, as set forth in Section IV, infra.

In light of the significant changes brought about as a result of the Restructuring Act, the Companies endorse the Department and EFSB joint proposal to eliminate IRP and to amend the filing requirements associated with long-range planning.

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3 The EFSB NOI indicates that the EFSB agrees with the Department that an annual report, similar to that required by Section 1 of EFSB Administrative Bulletin 78-2, but focused exclusively on emerging transmission constraints, could be an effective vehicle for providing such advance notice in the absence of regularly filed long-range forecasts. EFSB NOI at 2.

III. GENERAL COMMENTS

A. DSM

The Companies believe that cost-effective DSM measures can be promoted effectively under an alternative process to the long-range forecast requirements included in G.L. c. 164, § 69I. Several important provisions contained in the Restructuring Act assure that cost-effective DSM measures will continue in the future. For example, pursuant to G.L. c. 25A, § 11G, the Division of Energy Resources (the "DOER") has the authority to oversee and coordinate customer-funded energy efficiency programs with the following underlying goals:

- ensure that energy efficiency funds are allocated equitably among customer classes;
- ensure that there will be adequate support for "lost opportunity" efficiency programs in areas such as new construction, remodeling and replacement of worn-out equipment;
- give due emphasis to statewide market transformation programs in order to systematically eliminate market barriers to energy efficiency goods and services; and
- provide weatherization and efficiency services to low-income customers.

Under § 11G, DOER is required to file an annual report with the Department on the proposed funding levels for such energy efficiency programs. In turn, § 11G requires the Department to review and approve proposed energy efficiency expenditures after determining the cost-effectiveness of the programs. In addition, the Restructuring Act has established a detailed funding mechanism for promoting cost-effective DSM by dedicating a certain percentage of distribution system rates to fund DSM programs. In

particular, G.L. c. 25, § 19 requires the Companies to collect a mandatory charge per kilowatt-hour to fund energy efficiency initiatives, including, but not limited to, DSM programs beginning on March 1, 1998. The Companies' Five-Year Energy Efficiency Plan, approved by the Department on July 31, 1998 in Cambridge Electric Light Company/Commonwealth Electric Company, D.T.E. 98-16 (1998), details the DSM and energy efficiency programs such charges are currently supporting in the Companies' service territories. Accordingly, there is a strong statutory foundation for the continued oversight and support for cost-effective DSM measures under an alternative process that should exempt electric companies from the provisions of § 69I.

B. Assessment of Distribution-Related Reliability Issues

With respect to distribution-related reliability issues, the Department has ample authority to oversee and monitor service quality for each distribution company in Massachusetts. G.L. c. 164, § 76. Historically, the Department has exercised its authority, when appropriate, to investigate issues regarding an electric company's distribution-related performance and has required the implementation of detailed plans to remedy any problems. Boston Edison Company, D.P.U. 85-266-A/85-271-A at 286-305 (1986) (the Department conducted an extensive investigation of distribution-related reliability issues in portions of Boston Edison Company's ("BECo") service territory and ordered BECo to develop a plan to identify and remedy such issues). See also New England Telegraph and Telephone Company, D.P.U. 89-300, at 288-354 (1990) (the Department conducted an extensive quality of service investigation and ordered NYNEX to implement plans to improve service quality).

Further, the provisions of the Restructuring Act may provide the Department with an additional mechanism to address distribution-related reliability concerns. Pursuant to G.L. c. 164, § 1E(a), the Department may develop standards concerning, inter alia: (i) customer satisfaction; (ii) service outages; (iii) distribution facility upgrades; and (iv) repairs and maintenance. According to § 1E(c) of the Restructuring Act, in response to any service quality standards adopted by the Department, each distribution company is required to file a report with the Department by March 1st of each year comparing its performance during the previous calendar year to such standards. Based on the

Department's existing broad authority, the Department's ability to assess distribution-related reliability issues will be unaffected by a grant of exemption to electric companies from the provisions of § 69I.

C. Advance Notification of Developing Transmission Constraints

There is a large body of information concerning transmission constraints currently available which could serve as the foundation for a successful alternative process for the Department and the EFSB to monitor developing transmission constraints without conducting traditional electric utility forecast and supply plan reviews under § 69I. For example, any transmitting utility, as defined in § 3(23) of the Federal Power Act (16 U.S.C. § 796(23)), that operates integrated (i.e., non-radial) transmission facilities at or above 100 kilovolts must complete Federal Energy Regulatory Commission ("FERC") Form No. 715 ("Form 715") on an annual basis each April 1 for filing with the FERC. See 18 C.F.R. § 141.300. The purpose of Form 715 is to inform potential transmission customers, state and federal regulatory authorities and the public of potential transmission capacity and known constraints, and requires the transmitting utility to submit, inter alia, the following information:

> a narrative evaluation or assessment of the performance of its transmission system in future time periods based on the application of its reliability criteria. It must provide a clear understanding of existing and likely future transmission constraints, their sources, how it identified these constraints, and a description of any plans to mitigate the constraints. The evaluation must provide a clear understanding of the existing and expected system performance of the Respondent's transmission system. The evaluation should include a description of all existing transmission stability limits that the transmitting utility has uncovered through dynamic system simulation studies.

Instructions for Completing the FERC Form No. 715, Part 6. In addition, ISO-NE submits its own Form 715 to the FERC, which reflects a comprehensive amount of information on regional transmission issues based on a compilation and analysis of individual member forecast data. A copy of ISO-NE's Form 715, submitted on April 1, 1998, is appended hereto as Attachment 1. As part of the Department and EFSB's alternative process, electric companies in Massachusetts and the New England Power Pool ("NEPOOL") in conjunction with ISO-NE could submit the same information directly to the Department and the EFSB on an annual basis for their review of potential transmission-related issues.

In addition to the information contained in Form 715, NEPOOL and ISO-NE develop an annual Forecast of Capacity, Energy, Loads and Transmission (the "CELT Report"), issued on April 1. As its title suggests, the CELT Report includes a ten-year forecast on a variety of matters, including NEPOOL capacity, energy, load and transmission requirements. A section of the CELT Report addresses anticipated transmission system changes and includes the following information: (i) the owner of the transmission line; (ii) the location of the two transmission terminals; (iii) the nature of the change (i.e., whether the proposed transmission line is new or is being rebuilt or upgraded); (iv) the length in miles of the transmission line; (v) the expected in-service date; and (vi) the nominal voltage of the transmission line.[4] See Section XII, Scheduled and Proposed Transmission Changes

[4] The CELT Report also includes a wealth of data on forecasted loads and generation (by fuel type, owner and location) (see section IV.A.1, infra).

Bulk Power Lines, April 1, 1998 CELT Report. As with FERC Form 715, the CELT Report could also be submitted to the Department and the EFSB for their review.

D. Long-Range Load Forecasting

As indicated above, the Companies support the NOIs' proposal to develop an alternative process to the submission of biennial long-range forecasts pursuant to G.L. c. 164, § 69I. It is important to note, however, that the Companies do not believe that such an alternative process would, in any way, eliminate the Companies' ongoing internal efforts to assess their forecasted load requirements and to perform the same analyses now included in the biennial long-range forecasts. Such information remains critical to the Companies' ability to anticipate changes in customer demand for electricity on their respective transmission and distribution systems and the Companies' ability to provide reliable service to their customers.[5] As described in section IV.B.3 infra, in the case of a Cambridge or Commonwealth request to the EFSB for approval of a jurisdictional transmission facility based on projected load growth, the Companies believe that the load forecast accompanying the request would be very similar to the type of documentation that is currently provided to the Department pursuant to § 69I.

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5 As part of this process, the Companies currently perform a variety of electric load forecasts periodically, including projections one day, one month, 5 years and 20 years into the future.

IV. COMMENTS ON SPECIFIC DEPARTMENT AND EFSB QUESTIONS

A. Department Questions

1. Will information generally available from ISO/New England be sufficient to allow the Department to report to the General Court, pursuant to G.L. c. 164, § 69I, on "the reliability and diversity of electric power"? If not, what other information will the Department need to collect, and how should it be collected?

The information generally available from ISO-NE will be sufficient to allow the Department to report to the General Court, pursuant to G.L. c. 164, § 69I, on the reliability and diversity of electric power. In general, regional planning efforts are conducted by NEPOOL members together with ISO-NE. The NEPOOL Market Reliability Planning Committee, which is composed of members representing NEPOOL participants, works in conjunction with ISO-NE to produce the annual NEPOOL CELT Report. The CELT Report, as described above in section III.C, contains an estimate and description of NEPOOL capacity, energy, load and transmission requirements for a ten-year period. The CELT Report contains a detailed list of proposed additions and retirements to NEPOOL generating units, scheduled reratings, deactivated units and reactivated units. In addition, Section IV of the CELT Report includes a detailed description of generation capability by fuel type (e.g., nuclear, oil, gas and wind) that would provide sufficient information to the Department to allow it to develop an annual analysis of the reliability and diversity of electric power for the General Court, as required by G.L. c. 164, § 69I.

2. What changes need to be made to Administrative Bulletin 78-2 in order to: (1) focus it on developing transmission needs, rather than supply needs; and (2) ensure that the Department is aware of emerging inter-utility and inter-state transmission needs?

In order to provide notice of developing transmission constraints, the Department's NOI proposes that each electric utility be required to file with the Department and the EFSB an annual report similar to that required by Section 1 of EFSB Administrative Bulletin 78-2, but focused exclusively on emerging transmission constraints. The Companies agree with this proposal and believe that Administrative Bulletin 78-2 could be modified to focus more specifically on developing transmission needs, rather than supply needs. First, the necessary modifications would include the elimination of existing references to the identification of "supply problems" and the substitution, as appropriate, of references to "transmission facilities needed as a result of forecasted load growth." Second, the Companies propose that the Administrative Bulletin be modified to reduce the period for filing a specific transmission facility request from four years prior to its proposed operation to two years. The Companies believe this modification reflects a more realistic time horizon for purposes of planning new transmission facilities.

The Companies believe that the Administrative Bulletin 78-2 could be further modified to require electric companies to submit annually the NEPOOL CELT Report and FERC Form 715, as described supra. These documents would provide comprehensive information concerning expected transmission needs that would ensure that the Department and the EFSB are aware of any emerging inter-utility and inter-state transmission issues.

B. EFSB Questions

1. Under what circumstances should forecast information be supplied as part of a proposal to construct a transmission facility pursuant to G.L. c. 164, § 69J? Is a forecast necessary only when the need for a proposed facility depends primarily on projected load growth?

Consistent with the statutory framework of the Restructuring Act, the Companies believe that load forecast information should be provided as part of a proposal to construct a transmission facility pursuant to G.L. c. 164, § 69J only when the proposed transmission facility would be constructed for the purpose of serving forecasted load growth. To encourage the development of a competitive generation market in Massachusetts, the Restructuring Act establishes the Commonwealth's policy of allowing market forces to determine the need for new generating facilities. See G.L. c. 164, §§ 69H, 69J¼. Accordingly, pursuant to § 69J¼, the EFSB no longer makes findings regarding the need for and cost of proposed new generating facilities. Section 69H defines a Generating Facility as:

> any generating unit designed for or capable of operating at a gross capacity of 100 megawatts or more, including associated buildings, ancillary structures, transmission and pipeline interconnections that are not otherwise facilities, and fuel storage facilities.

Based on this definition, transmission facilities that are ancillary to new Generating Facilities do not require load-forecast (or need or cost) information to be supplied to the EFSB in conjunction with a proposal to construct such transmission facilities. This interpretation of the Restructuring Act is consistent with the stated policy of the Commonwealth to allow market forces to determine the need for and cost of such facilities.

The EFSB's application of a forecast of "need" to transmission facilities associated with new Generating Facilities would vitiate the underlying statutory purpose set forth in the Restructuring Act to facilitate the development of competitive market forces and to allow such forces to determine the need for such facilities. Accordingly, a load forecast is necessary only when the need for a proposed transmission facility is based on the projected load growth of the jurisdictional electric company.[6]

As a matter of administrative efficiency, the Companies recommend that in proposals to construct new jurisdictional generating facilities, that also involve the construction of jurisdictional transmission facilities, the EFSB consideration of that transmission facility should occur contemporaneously with the EFSB review of the jurisdictional generating facility. This approach will eliminate any redundant review and will lead to a more streamlined process for the development of new facilities.

2. What should be the geographical extent of any forecast filed as part of a transmission facility proposal?

The geographical extent of any forecast filed as part of a transmission facility proposal predicated on projected load growth should generally be based on the particular company's service territory because jurisdictional transmission facilities are typically

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6 In some cases, the need for new transmission facilities within the Companies' service territories may be caused by load growth that is forecast to occur in neighboring service territories. Although a neighboring electric company's load growth may precipitate the need for new facilities within the Companies' service territories, the need for such construction would not be supported by the Companies' own load forecast requirements. Such transmission facilities would, however, be built within the Companies' service territories based on analyses performed by ISO-NE.

proposed and built by electric companies within the geographical boundaries of their unique service territories. There may be situations, however, where the geographical extent of a forecast is more limited because of the more restricted geographic need for the proposed transmission facilities. For example, where a company requires a relatively short transmission facility (e.g., one mile) to address a transmission need in a more narrowly defined geographic region within a company's overall service territory, it would be necessary to submit a forecast that reflected only that portion of the company's overall load that supports the need for the proposed transmission facility.

The Companies' approach is consistent with the annual provision of load forecast data by electric utilities to the ISO-NE, which is based on each utility's specific geographical service territory. NEPOOL, under the direction of the Regional Transmission Planning Committee (the "Committee"), has procedures in place that require the Committee to oversee the planning of future transmission facilities on a regional, coordinated basis. The results of any coordinated planning work would be incorporated into each electric company's specific proposal for construction of transmission facilities that are subject to the jurisdiction of the EFSB. Information regarding each utility's planned construction of new transmission line(s) is also available in the CELT Report.

3. What information should be filed in support of such a forecast? To what level of detail would the Siting Board need to review the forecast in order to ensure that it is accurate enough to serve as proof of the need for the proposed facility?

The information associated with an electric company forecast to be submitted as part of a request for approval of a jurisdictional transmission facility based on projected load growth should include the following general elements:

- an explanation and description of the methodology used to develop the load forecast;
- a description of all input assumptions used to develop the forecast and the basis for their selection;
- a full description of the resulting load forecast based on the application of the forecast methodology described above; and
- an explanation of how the load forecast results in the company's request to construct additional transmission facilities, including a description of how the load forecast supports the specific request for the proposed facilities and their proposed location within the company's service territory.

The Companies believe that the EFSB could review the forecast with a similar level of detail as currently applied to load forecasts associated with previous proposals to construct new jurisdictional transmission facilities. Such a review would assure that the proposed facilities are needed to provide a reliable energy supply to the Commonwealth with a minimum impact on the environment at the lowest possible cost. See G.L. c. 164, § 69H.